

Message Text

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TO AMEMBASSY ROME

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TAGS: EAIR, IT

SUBJECT: CIVAIR - US-ITALY BILATERAL CONSULTATIONS

1. SUMMARY: SIX SESSIONS OF CIVAIR TALKS BETWEEN APRIL 2-4 WERE CONDUCTED IN FRIENDLY ATMOSPHERE, BUT AT THEIR CONCLUSION MAJOR AGENDA ITEMS REMAINED LARGELY UNRESOLVED. ITALIAN DEL SEEMED UNPREPARED TO ADDRESS FORMALLY ISSUES

OTHER THAN CAPACITY AND FENDED OFF DISCUSSIONS OF CHARTERS, GROUND HANDLING, LANDING FEES, EXTRA SECTIONS AND WET LEASES, AND TARIFFS WITH UNENLIGHTENING "PERSONAL OBSERVATIONS" AND PROMISES TO "STUDY" US POSITIONS ON THESE QUESTIONS. AT FINAL SESSION DELS PREPARED MEMORANDUM OF CONSULTATION (TEXT OF WHICH ALONG WITH CAB BRIEFING BOOK AND ATA MINUTES FOLLOWS BY POUCH) WHICH NOTESTHAT BOTH SIDES FAILED TO REACH AGREEMENT WITH RESPECT TO PLANNED 1975 CAPACITY, THAT THE PLANNED INCREASES MAY NEVERTHELESS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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BE PUT INTO EFFECT, AND THAT FURTHER DISCUSSIONS WILL BE HELD IF REQUESTED BY THE END OF DECEMBER. END SUMMARY.

2. CAPACITY-(A)ALTHOUGH CAPACITY DISCUSSIONS WERE LENGTHY

AND TOOK UP SEVERAL SESSIONS THERE WAS VIRTUALLY NO
MOVEMENT ON EITHER SIDE AFTER INITIAL POSITIONS WERE

STATED. DIFFICULTY ATTRIBUTABLE IN PART AT LEAST TO BASIC
DISAGREEMENT ON METHODOLOGY TO DETERMINE EXTENT OF CAPACITY
CHANGE BETWEEN 1974 AND 1975. USDEL NOTED THAT U.S.
CARRIERS' SCHEDULES FOR SUMMER 1975 WERE FILED WITH GOI
FOLLOWING CAREFUL REVIEW AND DETERMINATION THAT THESE
SCHEDULES WERE REASONABLE. USDEL OBSERVED THAT PAN AM
REDUCED ITS PASSENGER CAPACITY BY 20.5 PERCENT, AND THAT
TWA HAD INCREASED ITS CAPACITY BY 15.6 PERCENT FOR A COM-
BINED U.S. CARRIER INCREASE OF ONLY 2.5 PERCENT. USDEL
EXPLAINED THAT MOST OF INCREASE BY TWA RESULTED FROM
INCREASE IN CAPACITY AT MILAN WHERE IT IS CLEARLY
REQUIRED. LAST SUMMER'S TWA AVERAGE LOAD FACTOR WAS
ABOUT 80 PERCENT ON ITS MILAN SERVICES. USDEL ALSO TOOK
NOTE OF U.S. CONCERN WITH 42 PERCENT INCREASE IN
ALITALIA'S CAPACITY BETWEEN NEW YORK AND ROME.

(B) ITALIAN DEL ASSERTED ON BASIS OF SOMEWHAT QUESTIONABLE
ASSUMPTIONS THAT TOTAL U.S. CAPACITY INCREASE FOR SUMMER
1975 SEASON WAS EXCESSIVE. (ITALIAN DEL ARGUED THAT
INCREASE BETWEEN TWO SUMMER SEASONS WAS 9.3 PERCENT ON
BASIS OF APPLES AND ORANGES COMPARISON OF SEATS SCHEDULED
FOR 1975 AND SEATS OPERATED IN 1974. USDEL POINTED OUT

THAT MORE ACCURATE BASIS FOR COMPARISON WAS SEATS
SCHEDULED IN 1974 AND SEATS SCHEDULED IN 1975, ON WHICH
BASIS INCREASE IN U.S. CARRIERS' CAPACITY WOULD BE ONLY
2.5 PERCENT.) ITALIAN DEL FURTHER ASSERTED THAT U.S.
CARRIERS' SUMMER 1974 LOAD FACTORS WERE EXTREMELY LOW
SUGGESTING THAT REDUCTIONS, NOT INCREASES, IN 1975 SUMMER
CAPACITY WOULD BE APPROPRIATE. (ITALIANS ARRIVED AT
FIGURE OF 36.5 PERCENT BY UNIQUE METHOD OF COMPARING ONLY
U.S.-ITALY PASSENGERS ON BOARD WITH TOTAL SEATS, INCLUDING
ONES OCCUPIED BY PASSENGERS OTHER THAN U.S.-ITALY.
USDEL INSISTED THAT BY USING INTERNATIONALLY ACCEPTABLE
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METHOD OF DETERMINING LOAD FACTORS, US CARRIERS' LOAD
FACTORS OVER NONSTOP AND MULTISTOP ROUTES WOULD BE 59.4
PERCENT AND 48.3 PERCENT RESPECTIVELY.)

3. MEMORANDUM OF UNDERSTANDING -- WE DID NOT RAISE
QUESTION OF LANGUAGE DISCREPANCIES IN PARA 5 OF MOU SINCE
FORMAL U.S. VIEW IS THAT DISCREPANCY IS IN ITALIAN
VERSION. ITALIAN DEL ALLUDED TO THIS QUESTION BRIEFLY
BUT DID NOT PURSUE IT. ; - -

4. MONOPOLY GROUND HANDLING -- AS EMBASSY HAD PREDICTED,
ITALIAN DEL INDICATED IT WAS UNPREPARED TO DISCUSS
MONOPOLY GROUND HANDLING QUESTION FORMALLY. ITALIAN DEL

CHAIRMAN, HOWEVER, DESCRIBED AS "PERSONAL OBSERVATION" HISTORY OFFORMATIONSAR AT ROMEAIRPORTS. HIS PRESENTATION, HOWEVER, OFFERED NO NEW INSIGHTS AND

REPEATED WHAT WAS ALREADY KNOWN FROM EMBASSY REPORTING. FURTHER TREATMENT THIS ISSUE WILL FOLLOW.

5. ALITALIA'S PAYMENT OF LANDING FEES -- USDEL ASKED IF AS RESULT FORMATION SAR, ALITALIA NOW PAYING LANDING FEES AT ROME AIRPORTS. ITALIAN DEL CHAIRMAN, AS ANOTHER "PERSONAL OBSERVATION," DESCRIBED PRESENT SITUATION INCLUDING COURT ACTION AGAINST ALITALIA TO SECURE PAYMENT OF SUCH FEES SINCE JULY. US CHAIRMAN EXPLAINED THAT SUCH QUESTIONS AS LANDING FEES, RESTRICTIVE AND/OR

DISCRIMINATORYPRACTICES DIRECTED AGAINST U.S. AIRLINES HAVE RECEIVED CONSIDERABLE RECENT U.S. CONGRESSIONAL ATTENTION, THAT NEW LEGISLATION REQUIRES REPORT TO THE CONGRESS ON FOREIGN GOVERNMENT RESTRICTIVE/DISCRIMINATORY ACTIONS AND THAT THE ALITALIA LANDING FEES SITUATION IS ONE EMBASSY AND THE DEPARTMENT WILL OBVIOUSLY BE REQUIRED TO PAY CLOSE ATTENTION TO.

6. EXTRA SECTIONS AND WET LEASES -- USDEL INDICATED THAT T THE OPERATIONS OF EXTRA SECTIONS HAD BECOME A PROBLEM DESPITE ASSURANCES INCORPORATED IN 1970 MOU THAT ITALIAN AUTHORITIES WOULD ATTEMPT LIBERALIZE THE SITUATION. USDEL EXPLAINED THAT AIRLINES CANNOT IN THEIR SCHEDULE PLANNING TAKE FULL ACCOUNT OF PERIODS OF EXTRA DEMAND WITHIN LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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SCHEDULED SEASONS AND THAT CERTAIN DEGREE OF FLEXIBILITY IN SCHEDULING EXTRA SECTIONS WHICH WOULD NOT CIRCUMVENT CAPACITY ARRANGEMENTS IS CLEARLY REQUIRED. ITALIAN DEL ARGUED THAT EXTRA SECTIONS AMOUNT TO EXTRA CAPACITY AND MUST THEREFORE BE CAREFULLY CONTROLLED. WHEN AT THIS POINT IT BECAME CLEAR THAT ITALIANS UNPREPARED TO AGREE ON THE SUBJECT, US CHAIRMAN PROPOSED OBTAINING FROM U.S. AIRLINES THEIR EXTRA SECTION REQUIREMENTS FOR THE COMING SEASON WHICH WOULD THEN BE SUBMITTED TO ITALIAN AUTHORITIES FOR THEIR CONSIDERATION AND INVITED GOI DO

SAME FOR ALITALIA. ITALIAN CHAIRMAN DID NOT OBJECT. DESPITE APPARENT LACK ITALIAN ENTHUSIASM TO THIS PROPO-SALWE PLAN SOLICIT FROM U.S. CARRIERS THEIR EXTRA SECTION REQUIREMENTS.FOR PRESENTATION TO GOI.

7. CHARTERS -- US CHAIRMAN NOTED DIFFICULTIES FACING CHARTER CARRIERS IN THE US-ITALY MARKET GROWING OUT OF SITUATION IN WHICH CARRIERS MUST ABIDE BY RULES OF BOTH

COUNTRIES, WITH RESULT THAT THEY MUST CONFORM TO THE MOST RIGID OF THE TWO REGULATIONS. US CHAIRMAN ALSO NOTED THAT SITUATION WAS THE PROBABLE CAUSE OF DECLINE IN ITALY'S

SHARE TRANSATLANTIC CHARTER MARKET IN THE RECENT YEARS FROM A STRONG THIRD PLACE TO A VERY POOR FOURTH PLACE. US CHAIRMAN THEN PROPOSED ITALIAN CONSIDERATION OF A LIMITED UNDERSTANDING ON CHARTERS DESIGNED TO RECTIFY THIS SITUATION. US CHAIRMAN SUGGESTED THAT AGREEMENT CONTAIN THE FOLLOWING ELEMENTS:

A. EACH SIDE WOULD ACCEPT AS CHARTERWORTHY THOSE CHARTERS WHICH MEET THE REQUIREMENTS OF THE CIVAIR AUTHORITIES OF THE COUNTRY IN WHICH THE CHARTER ORIGINATES.

B. CHARTER RULES AND REGULATIONS WOULD NOT DISCRIMINATE BY FLAG OF CARRIER.

C. BOTH SIDES WOULD USE BEST EFFORTS TO RELY IN FIRST INSTANCE OF THE CIVAIR AUTHORITIES IN THE COUNTRY WHERE THE CHARTER ORIGINATES FOR THE ENFORCEMENT OF CHARTER-LIMITED OFFICIAL USE
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WORTHINESS REGULATIONS.

D. THE UNDERSTANDING WOULD CONTAIN ESCAPE CLAUSE PERMITTING ONE SIDE NOT TO ACCEPT A SPECIFIC CHARTER RULE OF OTHER COUNTRY IF, AFTER CONSULTATION, IT COULD NOT ACCEPT IT.

8. TARIFFS -- AT FINAL SESSION USDEL REFERRED TO TARIFF PROVISIONS OF CIVAIR BILATERAL AND REQUESTED ITALIAN DEL DEVOTE GREATER ATTENTION TO THOSE PROVISIONS IN EFFORT TO ASSURE GREATER ADHERENCE. USDEL BELIEVED THIS NECESSARY IN ORDER TO SECURE FROM ITALIANS ASSURANCES THEY ARE PREPARED TO EXAMINE TARIFF FILINGS ON THEIR MERITS WITHOUT REGARD TO WHETHER THEY ARRIVED AT IN IATA OR RESULTING INITIATIVES OF AN INDIVIDUAL CARRIER. ITALIAN DEL DID NOT COMMENT ON LATTER POINT, BUT ACKNOWLEDGED THAT PROVISIONS BILATERAL SHOULD BE FOLLOWED IN FUTURE.

9. TWA SCHEDULE FILINGS (A)SINCE ITALIANS DID NOT RAISE QUESTION OF CARGO CAPACITY AND SINCE USDEL DID NOT LEARN UNTIL LATE ON SECOND DAY OF TALK AFTER DISCUSSIONS OF CAPACITY WERE EFFECTVELY CONCLUDED THAT SIXTH TWA ALL-CARGO FREQUENCY (ROME 5097) WAS NOT FILED WITH GOI, THERE WAS NO APPROPRIATE OPPORTUNITY TO INFORM ITALIANS OF CHANGE IN FILING. GIVEN THE ITALIAN DEL'S UNANIMOUS RIGIDITY ON THE CAPACITY ISSUE, WE DID NOT CONSIDER IT WISE TO RAISE SUBJECT WITH THEM IN ANY EVENT. A POSSIBLE APPROACH TO SETTLE PROBLEM IS TWA TO FILE DIRECTLY WITH CIVILAVIA AND

CLAIM THAT SCHEDULES WERE INADVERTENTLY LEFT OUT OF TWA
FINAL SCHEDULE FILING. ANOTHER POSSIBLE APPROACH IS FOR
EMBASSY TO FILE WITH APPROPRIATE ITALIAN OFFICIALS. WE
LEAVE IT TO EMBASSY'S DISCRETION AS TO THE BEST APPROACH

TO GOI.

(B) TWA HAS ALSO MADE A MINOR CHANGE IN ITS SERVICES
BEYOND ROME. EFFECTIVE JUNE 15 TWA FLIGHT 890 WILL BE
EXTENDED FROM ATHENS TO TEL AVIV AND FLIGHT 891 WILL
ORIGINATE AT TEL AVIV INSTEAD OF ATHENS AND WILL SERVE
ATHENS AS AN INTERMEDIATE POINT. SINCE THERE IS NO CHANGE
IN US-ITALY AND BEYOND ROME CAPACITY PLEASE INFORM TWA
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REPRESENTATIVE TO FILE DIRECTLY WITH CIVILAVIA.

11. COMMENT. WE CAN ONLY CONJECTURE WHY SANTINI CHOSE
TO FOCUS ONLY ON CAPACITY AND WHY HE CONFINED HIS ATTEN-
TION ENTIRELY TO TOTAL US CAPACITY RATHER THAN TO PAR-
TICULAR SEGMENTS (E.G., MILAN-ROME). IN PRIVATE CON-
VERSATION, HE SAID HE WOULD ACCEPT ANY REDUCTION IN
TOTAL PAN AM/TWA PASSENGER CAPACITY, EVEN IF REDUCTION
TOOK PLACE ON SEGMENTS NOT COMPETITIVE WITH ALITALIA,
AND IMPLIED THAT THIS US MOVE WOULD RELIEVE PRESSURES ON
GOI FROM ALITALIA TO RENEGOTIATE 1970 AGREEMENT. HE
REPEATEDLY RETURNED TO THEME IN FORMAL TALKS THAT CIRCUM-
STANCES HAD CHANGED SINCE AGREEMENT SIGNED IN 1970, THAT
THERE WAS NOW A DISPARITY IN BENEFITS (RESULTING FROM
ALITALIA SUSPENSION ALL US POINTS EXCEPT NEW YORK
AND BOSTON AND FACT IT NOW OPERATES ONLY NONSTOP,
WHEREAS US AIRLINES CONTINUE USE INTERMEDIATE AND BEYOND
RIGHTS). WHEN WE ARGUED THAT SUBJECT AT HAND WAS
SPECIFIC QUESTION SUMMER SCHEDULES, NOT RENEGOTIATION OF
AGREEMENT, HE AGREED BUT ACTED OTHERWISE. OUR DECISION
NOT TO OFFER CAPACITY REDUCTION WAS BASED ON JUDGMENT
THAT WE PROBABLY WOULD NOT HAVE MADE ANY BROWNIE POINTS
IN LONG RUN IF REDUCTION WAS ON A NON-COMPETITIVE SEGMENT
AND THAT ITALDEL ADVANCED NO CONVINCING CASE FOR MAKING
REDUCTION ON COMPETITIVE SEGMENTS. SANTINI MAY HAVE BEEN
IN DIFFICULT POSITION HIMSELF WHICH PREVENTED HIM FROM
TAKING A CLEARCUT POSITION; HE THEREFORE MAY HAVE
CHOSEN TO STRADDLE AS MANY FENCES AS HE COULD FIND. KISSINGER

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